

Impact & Issues of GST in Job Work & Manufacturing Sector

JB Nagar CPE Study Circle of WIRC

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Impact of GST

PARTICULARS	PRE – GST SCENARIO	POST – GST SCENARIO
Applicable Taxes	Excise Duty, Service Tax, VAT /CST, Custom Duty, Luxury Tax, LBT / Octroi Duty	GST – CGST / SGST / IGST / UTGST /Cess
Frequency of Returns	Excise – monthly; Service tax – half yearly; MVAT /CST – monthly / quarterly / half yearly	Monthly / Quarterly
Forms	C – Interstate Sales; H – Deemed Export; F – Branch Transfer	Such Forms Not Applicable
Blockage of Credits	CST Transactions	Seamless flow of credits including IGST

Impact of GST

PARTICULARS	PRE – GST SCENARIO	POST – GST SCENARIO
Tax Collecting Authority	Excise & Service Tax – Central; VAT and Other taxes – State; in some case Local Municipalities	Both Central and State Government on supply of goods or services or both
Basic Exemption	Excise Duty – 1.5 Corers; Service tax – 10 Lakhs	GST – 20 Lakhs
Aggregate Turnover	Excise Duty – Manufacturing of Goods upto 1.5 Crores; Service Tax – Taxable services 10 lakhs or more	GST – All including exempt goods or services or both upto 20 Lakhs

Impact of GST

PARTICULARS	PRE – GST SCENARIO	POST – GST SCENARIO
Composite Levy	Not there	Suppliers having turnover up to 1 Crore can opt for the same subject to certain conditions
Business Verticals	Not there	Supplier can opt for separate registration for different business verticals. These Business verticals can be in same premises.

Impact of GST

PARTICULARS	PRE – GST SCENARIO	POST – GST SCENARIO
Registration	Depot wise registration under Excise duty and Place of Supply wise registration under service tax	Can have one single registration in one state for all premises together
Tax Credit and utilisation	100% on Input and Input services. 50% on Capital Goods in first year. Credit of service tax was available against excise duty payment but not vies versa.	Fully available on inputs, input services and capital goods subject to certain conditions. CGST and SGST credits not eligible to set off against each other.

Impact of GST

PARTICULARS	PRE – GST SCENARIO	POST – GST SCENARIO
Tax Credit of Common services to head office	Not available or available to some extent after reversal for goods turnover	Credit available fully, reversal not required for supply of goods
Reversal of credit availed	If payment not made to supplier with in 3 months	If payment not made to supplier with in 180 days from date of invoice

Issues of GST in Manufacturing Sector

Composition Levy – Section 10 CGST Act

The registered person (manufacturer) whose aggregate turnover in the preceding financial year did not exceed one Crore rupees, may opt to pay, in lieu of the tax payable by him, as per Section 10, which is commonly known as Composition Tax.

Rate of Tax is generally 0.5% and only in few cases the same is 2.5%.

The Registered person can opt composition levy only if he is eligible with respect to following conditions :

- a) he is not engaged in the supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II;
- b) he is not engaged in making any supply of goods which are not leviable to tax under this Act;

Issues of GST in Manufacturing Sector

Composition Levy – Section 10 CGST Act

(c) he is not engaged in making any inter-State outward supplies of goods;

(d) he is not engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52; and

(e) he is not a manufacturer of such goods as may be notified by the Government on the recommendations of the Council: Provided that where more than one registered persons are having the same Permanent Account Number (issued under the Income-tax Act, 1961), the registered person shall not be eligible to opt for the scheme under sub-section (1) unless all such registered persons opt to pay tax under that sub-section.

Issues of GST in Manufacturing Sector

Area based incentives:

In old excise regime, manufacturing units enjoy exemption of excise duty based on their location in specified backward areas, capital investment etc. There is no such exemptions under the GST Law. There is no transitional provisions for these incentives for balance residuary period and thus same are lapsed for few years.

Issues of GST in Manufacturing Sector

Impact on working capital :

Old tax regime does not tax transfer of stocks while GST will tax this exchange by considering stock transfers as supplies. Although Input Tax Credit will be available to be claimed but its realization will only occur once the final supply is concluded. This may impact manufacturing segment in a major way due to interruptions in cash flow. Companies will have to rebuild their supply chain strategies in order to handle the situation.



Issues of GST in Manufacturing Sector

Impact on Working Capital :

Free Service Coupon Vouchers :



These coupons are issued at the time of sale of the vehicle. As per the time of supply provision, GST on such coupons will have to be paid immediately on the date of issue of such vouchers. As per the practice of some manufacturers, the amount in respect of such coupons is redeemed to the dealers only when the customer brings the vehicle for repairs to the workshop. Therefore, dealers would have to pay tax on such coupons immediately on its issue but the said taxes can be collected from the customers only when the vehicle comes for the repairs leading to unnecessary blocking of funds in taxes.

Issues of GST in Manufacturing Sector

Block Credit of ITC on Samples, Loss of Goods etc.

Section 17(5) (h) does not allow ITC on ;-

- goods lost,
- stolen,
- destroyed,
- written off or
disposed of by way of gift or free samples .

Tax on free supplies

Free supplies are not taxed under MVAT. However, GST Law states that certain transactions without any consideration will also be treated as supplies and therefore taxed. Similarly, GST also be applicable on free samples leading to increase in overall costs.

Issues of GST in Manufacturing Sector

In Pharma industry ITC on physician sample may attract disallowance of ITC.

In other industry also ITC on goods supplied as free sample also gets disallowed.

This provision may not apply to marketing and sales promotion schemes like one plus one free etc. In that case price of goods supplied is charged at a price of unit declared in the scheme nonetheless there is a sale of all unit of goods supplied and not given by free.

Issues of GST in Manufacturing Sector

Goods Return including of Expiry Goods

Return of goods is inevitable in any trade and industry.



The GST law provides more liberal rule for allowing claim of deduction for Goods return compare to old regime. The claim of goods return is allowable till the date of filing of annual return or return for September of next year whichever is earlier.

But for expiry goods where period could be more than 2 years it is difficult to have return of goods within statutory periods.

The Pharma and food Industry needs to take back expired goods and to be destroyed as per the provisions of the Food and Drugs Act. Earlier department clarified that return of expired goods beyond statutory period will be treated as supply of goods and liable to GST.

Issues of GST in Manufacturing Sector

Later it was clarified that return of expired goods will not be treated as supply of goods and no tax is payable.

However clarification is also provided about reversal of ITC as ITC needs to be reversed in respect of goods lost, destroyed, written off or disposed by way of gift or free samples.

Whether the ITC needs to be reversed for return of expired goods by the retailer or manufacturer or no need to reversed?



Issues of GST in Manufacturing Sector

Case Study :

1) A dealer in oil purchased 25000 litres of oil from manufacturer. The manufacturer raised invoice for 25000 litres. There was an evaporation and normal loss of about 500 litres in transit. The stock records of dealer shows actual receipt of 24500 litres. The purchase invoice of 25000 litre is fully booked in the accounts and input tax credit charged by manufacturer in its invoice has been claimed.

Whether the dealer would be eligible to claim credit of GST on entire invoice i.e., 25000 litres or the same would be restricted to 24500 litres i.e actual receipt in the factory?

Issues of GST in Manufacturing Sector

Case Study :

2) A partnership firm engaged in manufacturing has:

- a) Acquired transport motor vehicle for transportation of goods.
- b) Purchased bus for transportation of its workers from city to factory.
- c) One of the partners, a registered person, has acquired motor vehicle & given the same on hire to Firm. The car is used for the purpose of business.
- d) Purchase new car to be used by partner or senior executive of the firm.
- e) Repairs & maintenance of all the above vehicles.
- f) What are the ITC implications of each of the above transactions for firm as well as partners (wherever applicable)?

Issues of GST in Manufacturing Sector

Insurance on Stock

The stock of goods was generally valued at excluding vat but including excise and other taxes which were not subject to ITC,

In GST now there is no component of any other taxes except custom duty. Therefore the value of stock of goods may be less than earlier. While taking or renewing policy of insurance this aspect needs to be considered.

Issues of GST in Manufacturing Sector

In MVAT credit was allowed even the goods were lost or destroyed. Therefore while settling the claim, the insurance company was valuing loss of goods at cost less vat credit.

In GST, the ITC on corresponding receipt of goods is to be reversed therefore while lodging the claim for the loss, the goods should be valued at cost plus reversal of ITC, if any.

Issues of GST in Manufacturing Sector

Impact of Credit pertaining to Renovation/ Repair of the Factory Premises:

- a. Works contract services or goods and services used for construction of immovable property, other than plant and machinery, except where it is an input service for further supply of works contract service;
- b. Credit Admissible even if plant and machinery is immovable – HVAC Plants, Chillers, etc. – Even Foundation of plant and machinery is covered for credit.
- c. “construction” includes re–construction, renovation, additions or alterations or repairs, to the extent of capitalization, to the said immovable property.

Issues of GST in Manufacturing Sector

Discounts :

GST is transaction value based tax and payable at the time of supply of goods on the value of goods payable, which needs to be required to be shown in invoice.

Pre sale Discounts eligible for deduction but post sale depends upon terms of the agreement deductible subject to certain conditions.

This provision needs to be taken care while framing various Sales Promotion Schemes and Discounts.

Issues of GST in Manufacturing Sector

POST – SUPPLY DISCOUNT

These deductions eligible only if following all 3 conditions fulfilled :

- (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply; and
- (iii) It is specifically provided that discount or incentive which have been provided subsequent to sale of goods will not be permitted unless it is established as per agreement and is known at or before the time of supply and specifically linked to the relevant invoice.

Issues of GST in Manufacturing Sector

Issues regarding giving Post Supply Discount :

1. Discount given due to deficiency in service or defect in goods
2. Cash Discount not passed on to the customers.
3. Year -end turnover discount based on targets achieved.
4. Sales target Achievement discount.
5. Re-negotiating of invoices.
6. Bad debts.
7. Schemes.

Issues of GST in Manufacturing Sector

GST on Warranty and AMC

Warranty and AMC are part and parcel of Manufacturing Industry.

Under earlier law warranty as well as AMC were subject to both service tax and vat Now also the same is taxable under the GST Act.



Post sale warranty is taxable as supply of service.

Pre sale warranty will be consider as composite supply and taxable at the rate of goods.

This differential treatment for rate of GST on pre and post sale warranty and AMC needs to be taken care while fixing the price of goods and period of warranty and AMC.

Issues of GST in Manufacturing Sector

Composite and Mixed Supply

GST law provides for different rate of tax for composite and mixed supply:

In case of Composite Supply the rate of tax of principal or dominant supply shall apply.

Whereas in case of mixed supply maximum rate applicable to goods shall apply.

While selecting product mix for gift pack etc., the provisions relating to Mixed and Composite Supply is to be considered.

Issues of GST in Manufacturing Sector

Credit Note and Debit Note

The GST laws provides for issue of credit and debit note in certain circumstances and allows reduction in value of goods sold and payment of GST thereof, Subject to condition that ITC should be reversed by recipient.

The issue of credit and debit note applies only in specified circumstances in respect of goods or services supplied earlier.

In case of any other charges for any service or goods supplied by recipient to the vendor, the tax invoice should be issued and not credit or debit note.

Issues of GST in Manufacturing Sector

Determination of place of Supply:

The place of supply of goods, other than supply of goods imported into, or exported from India, shall be as under,--

(a) where the supply involves movement of goods, whether by the supplier or the recipient or by any other person, the place of supply of such goods shall be the location of the goods at the time at which the movement of goods terminates for delivery to the recipient;

(b) where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person;

Issues of GST in Manufacturing Sector

Time of Supply :

Time of liability under Central Excise – date of removal.

Time of Supply under GST

- a. Raising of invoice
- b. Advance (not applicable currently).
- c. Time limit to issue invoice on or before the following –
 - i. Removal of goods or
 - ii. Delivery of goods to recipient.



Impact on petroleum dependent industries

Government exclude five petroleum products from GST. These products are high speed diesel, petroleum crude, natural gas, motor spirit and aviation turbine fuel. On these products, government will continue to impose excise duty and state VAT.

Industries which consume petroleum products as their main input (such as the fertilizer industry which use natural gas as an important input) will be impacted by this exclusion.

Issues of GST in Manufacturing Sector

Anti-Profiteering Rules

Section 171(1) of Central Goods & Service Tax Act, 2017 states that

“Any reduction in rate of Tax on any supply of goods or services or the benefit of Input Tax Credit shall be passed on to the recipient by way of commensurate reduction in prices.”

Effect of Non Compliance:

If found guilty, the authority after granting an opportunity of Hearing may order the supplier

a) Reduction in Prices

b) Reimburse certain amount along with 18% interest from the date of collection to eligible person, or if unclaimed– transfer to Consumer Welfare Fund

c) Impose Penalty as specified in the Act.

d) Cancellation of Registration under the Act.

A photograph of a manufacturing factory. In the foreground, a worker wearing a yellow hard hat and blue protective gear is kneeling and using a grinding wheel on a large metal pipe. Bright sparks are flying from the point of contact. In the background, several other workers in hard hats are visible, some standing near large industrial machinery. The floor is covered with a layer of metal shavings. The overall scene depicts an active industrial environment.

**GST a boost for
Manufacturing
sector**

Beneficial Impact :

Simplified assessments: Under the excise law, there were different valuation/taxation mechanisms such as specific duty, duty based on value or MRP-based valuation, compounded levy scheme and duty based on capacity production. The GST law provides for a single transaction value based assessment for all manufactured goods supplied and has done away with multiple valuation/taxation methodologies. It has led to simplified tax computation mechanism and compliance procedure.



Improved efficiency: GST has made manufacturers to restructure their supply chains and reduce number of warehouses needed to operate the business, with maximum efficiency and at minimum operational cost. Earlier manufacturers were operating through multiple warehouses located in each state, considering the non-availability of credit to customer on levy of CST in case of inter-state sales.

Beneficial Impact :

Reduced tax cost: Earlier a majority of goods were subject to excise duty at 12.50 per cent plus VAT, in the range of 12–14 per cent. But under the GST regime, majority of goods are subject to 18 per cent tax. Also, there has been a large increase in number of indirect taxpayers with many voluntarily choosing to be part of GST, especially small enterprises that buy from large enterprises and want to avail input tax credits.



Beneficial Impact :

Reduction of cascading taxes :

Input Tax Credit is arguably the most important feature of GST but it isn't something new for the taxpayers. Under the old system of indirect taxes, manufacturers are allowed to claim most taxes levied on inputs. However, they are not allowed to claim Central taxes paid against State taxes and vice-versa. This often leads to a situation where manufacturers are unable to claim excess credit of central or state levies. Not just this, even Central Sales Tax paid on inter-state procurements is also not creditable and are costs for the companies. Another issue faced was the cascading of taxes at the post manufacturing stage. Dealers, retailers etc. are subject to taxes on their input side which are not creditable (service tax on input services, excise duty on capital goods). This leads to an increase in the cost of goods, ultimately affecting the competitiveness of Indian manufactured goods vis-à-vis imports.

All of the above issues are addressed under the GST Act, which permits tax set offs across the production value-chain, both for goods and services. This results in a reduction of the cascading effect of taxes and bring down the overall cost of production of goods.

Issues of GST under Job work

Definition of Job work :

2(68) “job work” means any treatment or process undertaken by a person on goods belonging to another registered person and the expression “job worker” shall be construed accordingly.



Issues of GST under Job work

Job work means undertaking any treatment or process by a person on goods belonging to another registered taxable person. The person who is treating or processing the goods belonging to other person is called 'job worker' and the person to whom the goods belongs is called 'principal'.

This definition is much wider than the one given in Notification No. 214/86 – CE dated 23rd March, 1986. In the said notification, job work has been defined in such a manner so as to ensure that the activity of job work must amount to manufacture. Thus the definition of job work itself reflects the change in basic scheme of taxation relating to job work in the GST regime.

Issues of GST under Job work

Whether goods sent by a taxable person to a job worker will be treated as supply and liable to GST? Why?

It will be treated as a supply as supply includes all forms of supply such as sale, transfer, etc. However, the registered taxable person (the principal), under intimation and subject to such conditions as may be prescribed send any inputs and/or capital goods, without payment of tax, to a job worker for job work and from there subsequently to another job worker(s) and shall either bring back such inputs/capital goods after completion of job work or otherwise within 1 year/3years of their being sent out or supply such inputs/capital goods after completion of job work or otherwise within 1 year / 3 years of their being sent out, from the place of business of a job worker on payment of tax within India or with or without payment of tax for export.

Issues of GST under Job work

With respect to the legal requirements, various issues have been raised on the following aspects:

Scope / ambit of job work;

Requirement of registration for a principal / job worker;

Supply of goods by the principal from the job worker's place of business / premises;

Movement of goods from the principal to the job worker and the documents and intimation required therefore;

Liability to issue invoice, determination of place of supply and payment of GST; and

Availability of input tax credit to the principal and the job worker.

Issues of GST under Job work

Scope/ambit of job work:

Doubts have been raised on the scope of job work and whether any inputs, other than the goods provided by the principal, can be used by the job worker for providing the services of job work. It may be noted that the definition of job work, as contained in clause (68) of section 2 of the CGST Act, entails that the job work is a treatment or process undertaken by a person on goods belonging to another registered person. Thus, the job worker is expected to work on the goods sent by the principal and whether the activity is covered within the scope of job work or not would have to be determined on the basis of facts and circumstances of each case. Further, it is **clarified** that the job worker, in addition to the goods received from the principal, can use his own goods for providing the services of job work.

Issues of GST under Job work

Requirement of registration for the principal/ job worker:

It is important to note that the provisions of section 143 of the CGST Act are applicable to a registered person. Thus, it is only a registered person who can send the goods for job work under the said provisions. It may also be noted that the registered person (principal) is not obligated to follow the said provisions. It is his choice whether or not to avail or not to avail of the benefit of these special provisions.

Doubts have been raised about the requirement of obtaining registration by job workers when they are located in the same State where the principal is located or when they are located in a State different from that of the principal. It may be noted that the job worker is required to obtain registration only if his aggregate turnover, to be computed on all India basis, in a financial year exceeds the specified threshold limit in case both the principal and the job worker are located in the same State.

Issues of GST under Job work

Where the principal and the job worker are located in different States, the requirement for registration flows from clause (i) of section 24 of the CGST Act which provides for compulsory registration of suppliers making any inter-State supply of services. However, exemption from registration has been granted in case the aggregate turnover of the inter-State supply of taxable services does not exceed basic threshold limits.

Therefore, it is **clarified** that a job worker is required to obtain registration only in cases where his aggregate turnover, to be computed on all India basis, in a financial year exceeds the threshold limit regardless of whether the principal and the job worker are located in the same State or in different States.

Issues of GST under Job work

Supply of goods by the principal from job worker's place of business/ premises:

Doubts have been raised as to whether the principal can supply goods directly from the job worker's place of business / premises to its end customer and if yes, whether the supply will be regarded as having been made by the principal or by the job worker.

It is **clarified** that the supply of goods by the principal from the place of business / premises of the job worker will be regarded as supply by the principal and not by the job worker as specified in section 143(1)(a) of the CGST Act.

Issues of GST under Job work

Clarification with respect to the issuance of challan, furnishing of intimation and other documentary requirements in various regards:

1. Where goods are sent by principal to only one job worker:

The principal shall prepare in triplicate, the challan in terms of rules 45 and 55 of the CGST Rules, for sending the goods to a job worker. Two copies of the challan may be sent to the job worker along with the goods. The job worker should send one copy of the said challan along with the goods, while returning them to the principal. The FORM GST ITC-04 will serve as the intimation as envisaged under section 143 of the CGST Act, 2017.

Issues of GST under Job work

2. Where goods are sent from one job worker to another job worker:

In such cases, the goods may move under the cover of a challan issued either by the principal or the job worker. In the alternative, the challan issued by the principal may be endorsed by the job worker sending the goods to another job worker, indicating therein the quantity and description of goods being sent. The same process may be repeated for subsequent movement of the goods to other job workers.

3. Where the goods are returned to the principal by the job worker:

The job worker should send one copy of the challan received by him from the principal while returning the goods to the principal after carrying out the job work.

Issues of GST under Job work

4. Where the goods are sent directly by the supplier to the job worker:

In this case, the goods may move from the place of business of the supplier to the place of business/premises of the job worker with a copy of the invoice issued by the supplier in the name of the buyer (i.e. the principal) wherein the job worker's name and address should also be mentioned as the consignee, in terms of rule 46(o) of the CGST Rules. The buyer (i.e., the principal) shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly in terms of para (i) above. In case of import of goods by the principal which are then supplied directly from the customs station of import, the goods may move from the customs station of import to the place of business/premises of the job worker with a copy of the Bill of Entry and the principal shall issue the challan under rule 45 of the CGST Rules and send the same to the job worker directly.

Issues of GST under Job work

5. Where goods are returned in piecemeal by the job worker:

In case the goods after carrying out the job work, are sent in piecemeal quantities by a job worker to another job worker or to the principal, the challan issued originally by the principal cannot be endorsed and a fresh challan is required to be issued by the job worker.

6. Submission of intimation: Rule 45(3) of the CGST Rules provides that the principal is required to furnish the details of challans in respect of goods sent to a job worker or received from a job worker or sent from one job worker to another job worker during a quarter in FORM GST ITC-04 by the 25th day of the month succeeding the quarter or within such period as may be extended by the Commissioner. It is clarified that it is the responsibility of the principal to include the details of all the challans relating to goods sent by him to one or more job worker or from one job worker to another and its return therefrom. The FORM GST ITC-04 will serve as the intimation as envisaged under section 143 of the CGST Act.

Issues of GST under Job work

Liability to issue invoice, determination of place of supply and payment of GST:

1. Supply of job work services: The job worker, as a supplier of services, is liable to pay GST if he is liable to be registered. He shall issue an invoice at the time of supply of the services as determined in terms of section 13 read with section 31 of the CGST Act. The value of services would be determined in terms of section 15 of the CGST Act and would include not only the service charges but also the value of any goods or services used by him for supplying the job work services, if recovered from the principal. Doubts have been raised whether the value of moulds and dies, jigs and fixtures or tools which have been provided by the principal to the job worker and have been used by the latter for providing job work services would be included in the value of job work services.

Issues of GST under Job work

In this regard, attention is invited to section 15 of the CGST Act which lays down the principles for determining the value of any supply under GST. Importantly, clause (b) of sub-section (2) of section 15 of the CGST Act, provides that any amount that the supplier is liable to pay in relation to the supply but which has been incurred by the recipient will form part of the valuation for that particular supply, provided it has not been included in the price for such supply. Accordingly, it is clarified that the value of such moulds and dies, jigs and fixtures or tools may not be included in the value of job work services provided its value has been factored in the price for the supply of such services by the job worker. It may be noted that if the job worker is not registered, GST would be payable by the principal on reverse charge basis in terms of the provisions contained in section 9(4) of the CGST Act.

However, the said provision has been kept in abeyance for the time being.

Issues of GST under Job work

2. Supply of goods by the principal from the place of business/premises of job worker:

Section 143 of the CGST Act provides that the principal may supply, from the place of business / premises of a job worker, inputs after completion of job work or otherwise or capital goods (other than moulds and dies, jigs and fixtures or tools) within one year or three years respectively of their being sent out, on payment of tax within India, or with or without payment of tax for exports, as the case may be. This facility is available to the principal only if he declares the job worker's place of business / premises as his additional place of business or if the job worker is registered. Since the supply is being made by the principal, it is clarified that the time, value and place of supply would have to be determined in the hands of the principal irrespective of the location of the job worker's place of business/premises. Further, the invoice would have to be issued by the principal. It is also clarified that in case of exports directly from the job worker's place of business/premises, the LUT or bond, as the case may be, shall be executed by the principal.

Issues of GST under Job work

3. Supply of waste and scrap generated during the job work:

Sub – section (5) of Section 143 of the CGST Act provides that the waste and scrap generated during the job work may be supplied by the registered job worker directly from his place of business or by the principal in case the job worker is not registered. The principles enunciated in para (ii) above would apply mutatis mutandis in this case.

Issues of GST under Job work

Availability of input tax credit to the principal and job worker:

Doubts have been raised regarding the availability of input tax credit (ITC) to the principal in respect of inputs / capital goods that are directly received by the job worker. Doubts have also been raised whether the job worker is eligible for ITC in respect of inputs, etc. used by him in supplying job work services. It is clarified that, in view of the provisions contained in clause (b) of sub-section (2) of section 16 of the CGST Act, the input tax credit would be available to the principal, irrespective of the fact whether the inputs or capital goods are received by the principal and then sent to the job worker for processing, etc. or whether they are directly received at the job worker's place of business/premises, without being brought to the premises of the principal. It is also clarified that the job worker is also eligible to avail ITC on inputs, etc. used by him in supplying the job work services if he is registered for job work services.

Issues of GST under Job work

What happens when the inputs or capital goods are not received back or supplied from the place of business of job worker within prescribed time period?

If the inputs or capital goods are not received back by the principal or are not supplied from the place of business of job worker within the prescribed time limit, it would be deemed that such inputs or capital goods had been supplied by the principal to the job worker on the day when the said inputs or capital goods were sent out by the principal (or on the date of receipt by the job worker where the inputs or capital goods were sent directly to the place of business of job worker). Thus the principal would be liable to pay tax accordingly along with applicable interest there on.



**Thank
You**

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